

**Audit Committee
Meeting Minutes
August 16, 2005**

**Kiva Conference Room, First Floor, City Hall
3939 North Drinkwater Boulevard
Scottsdale, AZ 85251**

Members Present: Chairman Lane
Committee Member Ecton
Committee Member Littlefield

City Staff Present: Cheryl Barcala, City Auditor
Gail Crawford, Internal Auditor
Neal Shearer, Assistant City Manager
Roger Klingler, Assistant City Manager
Scott Gray, Aviation Director
Chris Read, Assistant Aviation Director
Debra Baird, Community Services General Manager
Terry Erickson, Senior Recreation Coordinator
Brent Stockwell, Assistant to the Mayor and Council
Dave Meinhart, Transportation Planning Director
Brad Hartig, CIO

Chairman Lane called the meeting to order at 3:04 p.m.

Roll was taken with all members in attendance.

Minutes of the May 26, 2005, Audit Committee Meeting were approved.

General Business:

Item 1a – The Software Licensing and Maintenance Charges Audit has no recommendations. There were no questions and the report was accepted.

Item 1b – The Collection of Airport and Airpark Fees Audit looked at the collection of the fees and not the process to establish the fees. Recommendations dealt with housekeeping issues of establishing policies and procedures to ensure that documentation is maintained. There were issues with the transient landing fees and disagreements with charges for weights. A recommendation was made to use a standard weight instead of a reported weight. Discussion ensued on the calculation and reporting of different weights.

Another issue was moving billings and payments to Accounting. Accounting is working with the Airport on this issue. Chairman Lane questioned

Recommendation #4. It was decided to strike the word "the" so the recommendation would read "by customer."

Chairman Lane asked if Recommendation #5 referred to an inventory issue. Ms. Barcala stated that this goes back to the FBO. Mr. Gray clarified that the fuel belongs to the tenants.

Chairman Lane asked about City property that is being used without a lease; whether this is associated with some of the City asset leases and deeds not being maintained in one place. Ms. Barcala indicated that this is not the case. In this instance, the lease has expired and the Airport has been in the process of renewing it. Mr. Gray stated that the Civil Air Patrol was under a license agreement, historically, and was transitioning into a lease.

There were no further questions and the report was accepted.

Item 1c – The Handlebar Helpers Program is in the Community Services area. Chairman Lane asked if the relationship with the non-profit organization, CCCH, has ended. Ms. Baird indicated that it has not as yet but that a special revenue account will be set up for donations. The donations would continue to be tax deductible.

Chairman Lane asked whether program continuation is warranted. Ms. Barcala indicated that more accurate performance measures are being developed. Ms. Baird stated that the Program has grown in scope since ten years ago and believes it is a valid Program.

There were no further questions and the report was accepted.

Item 1d – Ms. Barcala requested postponement of the Enhanced Municipal Services District Audit. The postponement was accepted and a meeting will be scheduled after August 26, 2005, for review of this audit.

Item 2a – The audit on the use of restricted funds generated by the additional tax upon transient lodging is underway with preliminary survey work being done. A timing issue has come up with the external auditors working in Financial Services and staff not having time to do research. In another week the external auditors will be done and records should again be available.

Item 2b – Preliminary meetings have been held with the Cultural Council and with Michele Korf from the Downtown Group on the Percent for the Arts and the Fine Arts Trust Fund. There is the same issue in obtaining records from Financial Services.

Item 2c – The first meeting was held today for the Alarm Permits and False Alarm Fees.

Item 2d – The preliminary survey and development of testing is underway for the Controls Over the Use of Funds for the Neighborhood Enhancement Partnership.

Item 2e – The Reconciliation of Invoices for Detention Services has been sent for Management comment.

Item 3 – Ms. Barcala asked for direction on objectives for the WestWorld Audit. When the motion at the Council meeting was made, it included the financial and managerial component as well as the compliance of the Cost Sharing and Use Agreement. Ms. Barcala indicated that there was some discussion internally to audit just the compliance of the Cost Sharing and Use Agreement.

Chairman Lane asked what was in print that authorized or was the intent of the agreement with the Bureau of Reclamation (BOR). Committee Member Ecton asked if changes were documented. Ms. Barcala stated that she has some documentation showing that BOR has approved the updated use of the Master Plan. BOR also supports recreational use as the primary use of the facility with some allowance for commercial activity.

Committee Member Ecton stated that he has been on the Advisory Committee for WestWorld since he has been on the Council and when new issues came along, the BOR representative was in attendance and was looked to for approval and there had been no objections. Chairman Lane asked if this had been documented. Committee Member Ecton stated that sometimes it was word of mouth and sometimes documented in minutes and asked Roger Klingler if it was always in writing. Mr. Klingler stated that there were ten official amendments. Some of the items indicate that BOR needs to review. Does this review mean the local person, the Denver Office, or Washington? This is not clear.

Mr. Klingler indicated that he understood that the original motion for this audit was the compliance of the Cost Sharing and Use Agreement and he thought that was the intent of the request. Chairman Lane stated that it was expanded to include financial, operational, and compliance aspects. Committee Member Ecton asked if the language was documented. Ms. Barcala stated that it was and provided Members with the language used. Committee Member Littlefield stated that all three words were used and if a larger scope audit were required then it should be done. Chairman Lane stated that he would like some physical documentation of BOR acceptance or approval.

Chairman Lane asked how long the City has operated WestWorld. Ms. Barcala stated that the City took over in January of 1997. There has not been an audit done since just before the City took it back.

The Committee agreed that the financial, managerial, and compliance audit of the Cost Sharing and Use Agreement between BOR and the City should be

completed. Ms. Barcala will discuss the objectives and scope with the Committee after the preliminary survey is completed.

Item 4 – The remaining items on the Audit Plan that are not underway are included in the packet. Ms. Barcala would like permission to delete the Software Licensing Audit because of timing. Information Systems will not be purchasing this new software for tracking licenses until after the first of the year. The Committee approved deferring this audit until next year.

Ms. Barcala has had discussions with the Police Department regarding the Controls Over the Tracking of Citations. Some internal audits have been done and issues have been resolved and the audit could be done before the end of the year. After wrapping up the audits now in progress plus WestWorld, Ms. Barcala would propose this be the next audit.

The Audit of the City's Public Art Collection will be fed in as soon as the Percent of the Arts is completed.

There is a new HR General Manager and Ms. Barcala has spoken to her about the Classification and Pay Plan and the Payroll Audits and the Premiums for COBRA and Retiree Participants Audit. Time will be scheduled in this area.

Ms. Barcala has completed a majority of the preliminary work on the Streetlights.

Ms. Barcala stated that auditors are on track to have the majority of audits started or completed by the end of the year. Committee Member Littlefield asked if that included the Cultural Council Audit. Ms. Barcala responded that we would get a good jump on it if not completed.

Chairman Lane asked if the Controls Over the Tracking of Citations tied into the Issuance of Citations for Zoning Violations. Ms. Barcala responded that they were separate issues. State law requires the City to have appropriate controls in place to track the citations that are issued by the Police Department. There needs to be assurances that every citation issued gets into the Court system. The Citations for Zoning Violations is in the Code Enforcement area and need to make sure there are procedures in place when those citations are issued, tracked, and appropriately responded to.

Committee Member Ecton asked about the Public Art Collection and the Sculpture in Public Places. Ms. Barcala responded that these are different programs. The Sculpture in Public Places deals with the pads in the Downtown area dictating that there be a program that manages the placement of sculpture on those pads. The sculptures are not owned by the City and will not become part of the public art collection. The audit of the City's Public Art Collection would look at the controls that the Cultural Council has in place to manage the City owned public art.

Item 5 – Regarding staffing, Ms. Barcala stated that two vacant positions have been filled. The Administrative Secretary resigned and this position has been reclassified to an Audit Associate position. This will allow that person to do some administrative work and also do some preliminary research. It will be more hands on audit work and less administrative and will be posted next week.

Public Comments – None.

Committee Comments – Chairman Lane asked about the status of the AR that was to be amended per the Tangible Assets. Ms. Barcala responded that the due date for this was June 30, 2005. There is not a revised AR on the website. Ms. Barcala will put this on the agenda for the next meeting.

With no further business to discuss, the public meeting of the Audit Committee was adjourned at 4:05 p.m.

Respectfully submitted,

Gail Crawford